



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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May 8, 2008

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, 25th Floor
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report: City of Oakland, Grant Agreements UBG10-04-172, UBG11-05-132, and UBG12-06-111

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed the City of Oakland's (City) Used Oil Recycling Block Grant audits. Finance performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board). These audits included a review of revenue, expenditures, internal control, and compliance with certain grant agreement provisions. Specifically, Finance audited grants:

- UBG10-04-172 for the period July 1, 2004 through June 30, 2007
- UBG11-05-132 for the period July 1, 2005 through December 31, 2007
- UBG12-06-111 for the period July 1, 2006 through December 31, 2007

The enclosed report is for your information and use. The City complied with the fiscal requirements of the agreements and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, the final report will be placed on our website.

We appreciate the City's assistance and cooperation with our audits. If you have any questions regarding this report, please contact Kimberly A. Tarvin, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Janet I. Rosman, Assistant Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

GRANT AUDITS

City of Oakland Used Oil Block Grants Agreements UBG10-04-172, UBG11-05-132, and UBG12-06-111

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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PREFACE

The Department of Finance, Office of State Audits and Evaluations, performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded the following three grants to the City of Oakland (City) for participation in the Used Oil Recycling Block Grant Program. The grants were in the amount of:

- \$113,309 (UBG10-04-172) covering the period of July 1, 2004 through June 30, 2007
- \$111,460 (UBG11-05-132) covering the period of July 1, 2005 through June 30, 2008
- \$116,322 (UBG12-06-111) covering the period of July 1, 2006 through June 30, 2009

These grant agreements were funded by the Used Oil Recycling Fund and the Integrated Waste Management Account.

A final audit was performed on UBG10-04-172 and UBG11-05-132 grants. An interim audit was performed on UBG12-06-111 grant. The objective of these audits was to determine the City's fiscal compliance with the aforementioned grants. These audits also assessed the City's compliance with applicable laws, regulations, and grant agreement requirements, and included a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the City.

This report is intended for the information and use of the Board and City management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Kimberly A. Tarvin, CPA
Manager

Rich Hebert
Supervisor

Charles White



INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, 25th Floor
P.O. Box 4025
Sacramento, CA 95812-4025

We have audited the accompanying City of Oakland's (City) *Statements of Revenue and Expenditures* (Statements) for the following grant agreements:

- UBG10-04-172 covering the period July 1, 2004 through June 30, 2007
- UBG11-05-132 covering the period July 1, 2005 through December 31, 2007
- UBG12-06-111 covering the period July 1, 2006 through December 31, 2007

The grant agreements were executed between the City and the California Integrated Waste Management Board (Board). These statements were prepared from the City's records and are the responsibility of City management. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to provide reasonable assurance as to whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the City's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the City's total revenue and expenditures.

In our opinion, the Statements referred to above present fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreements UBG10-04-172, UBG11-05-132, and UBG12-06-111, for the periods stated above in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statements are free of material misstatements, we performed tests of the City's compliance with certain provisions of laws, regulations, and the grant agreements, noncompliance with which could have a direct and

material effect on the determination of the Statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under GAGAS.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies as defined above.

This report is intended solely for the information and use of the Board and City management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

April 11, 2008

STATEMENT OF REVENUE AND EXPENDITURES

**City of Oakland
Used Oil Recycling Block Grant UBG10-04-172
For the Period July 1, 2004 through June 30, 2007**

Revenue:	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>¹
State Grant	\$113,309	\$113,309	\$ 0
Interest	<u>1,375</u>	<u>1,375</u>	<u>0</u>
Total Revenue	<u>114,684</u>	<u>114,684</u>	<u>0</u>
Expenditures:			
Temporary or Mobile Collection	34,957	0	34,957
Residential Collection	47,662	82,619	(34,957)
Publicity and Education	<u>32,065</u>	<u>32,065</u>	<u>0</u>
Total Expenditures	<u>114,684</u>	<u>114,684</u>	<u>0</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

¹ Residential collection expenditures of \$34,957 were erroneously reported as temporary or mobile collection expenditures.

STATEMENT OF REVENUE AND EXPENDITURES

City of Oakland Used Oil Recycling Block Grant UBG11-05-132 For the Period July 1, 2005 through December 31, 2007

Revenue:	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u> ²
State Grant	\$111,460	\$111,460	\$ 0
 Expenditures:			
Temporary or Mobile Collection	95,319	0	95,319
Residential Collection	0	95,319	(95,319)
Publicity and Education	<u>16,141</u>	<u>16,141</u>	<u>0</u>
Total Expenditures	<u>111,460</u>	<u>111,460</u>	<u>0</u>
 Excess of Revenue over Expenditures	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

The accompanying notes are an integral part of this statement.

² Residential collection expenditures of \$95,319 were erroneously reported as temporary or mobile collection expenditures.

STATEMENT OF REVENUE AND EXPENDITURES

City of Oakland Used Oil Recycling Block Grant UBG12-06-111 For the Period July 1, 2006 through December 31, 2007 Interim Audit

Revenue:	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u> ³
State Grant	\$ 36,084	\$ 36,084	\$ 0
 Expenditures:			
Temporary or Mobile Collection	3,579	0	3,579
Residential Collection	0	3,579	(3,579)
Publicity and Education	<u>32,506</u>	<u>32,506</u>	<u>0</u>
Total Expenditures	<u>36,084</u>	<u>36,084</u>	<u>0</u>
 Excess of Revenue over Expenditures	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

The accompanying notes are an integral part of this statement.

³ Residential collection expenditures of \$3,579 were erroneously reported as temporary or mobile collection expenditures.

NOTES TO THE STATEMENTS OF REVENUE AND EXPENDITURES

City of Oakland Grant Agreements UBG10-04-172, UBG11-05-132, and UBG12-06-111

NOTE 1 Description of the Reporting Entity

The City of Oakland exists under and pursuant to the provisions of state law. The mayor/council form of government was established through charter amendment. Legislative authority is vested in the city council and the executive authority is vested in the mayor with administrative authority resting with the City manager.

NOTE 2 Program Information

The California Integrated Waste Management Board (Board) administers a program to provide opportunities for the recycling of used oil. As part of this program, the Board issues non-competitive Used Oil Recycling Block Grants to help local governments establish or enhance permanent, sustainable used oil collection programs.

Grants are calculated at approximately 31 cents per capita for cycle 10 and 27 cents per capita for cycles 11 and 12 using the Department of Finance's population statistics. However, small jurisdictions are guaranteed a minimum award of \$5,000 for cities and \$10,000 for counties.

The Used Oil Block Grants were funded from the California Used Oil Recycling Fund (Fund 100). This is a special purpose fund enacted to collect a fee of sixteen cents per gallon for all lubricating oil sold in California and in turn fund used oil recycling.

NOTE 3 Description of Used Oil Recycling Block Grants

The grant agreements awarded to the city provide funding for the continuation of residential used oil pick ups. In addition, the agreements provide funding to utilize community-based social marketing processes, principles, and techniques to encourage oil recycling and the purchase of recycled motor oil.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The statements presented in this report were prepared from the City's accounts and financial transactions. The Statements summarize revenue and expenditures recorded by the City during the grant reporting periods.

The statements summarize the City's transactions pertaining to grant agreements UBG10-04-172, UBG11-05-132, and UBG12-06-111 only, and are not intended to represent all of the City's financial activities.

B. Basis of Accounting

The City's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenue is recognized as it becomes measurable and available, and expenditures are recorded at the time the liabilities are incurred.